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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-92756; File No. SR-FICC-2021-007]**

**Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change to Remove the Early Unwind Intraday Charge, Change the Treatment of Short-Term Treasuries, and Make Other Changes**

August 25, 2021

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 13, 2021, Fixed Income Clearing Corporation (“FICC”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the clearing agency. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Clearing Agency’s Statement of the Terms of Substance of the Proposed Rule Change**

The proposed rule change consists of amendments to (i) the FICC Government Securities Division (“GSD”) Rulebook (“Rules”)<sup>3</sup> in order to remove the Early Unwind Intraday Charge (“EUIC”), (ii) the GSD Methodology Document – GSD Initial Market Risk

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Capitalized terms used herein and not defined shall have the meaning assigned to such terms in the Rules, available at <http://www.dtcc.com/legal/rules-and-procedures.aspx>.

Margin Model (“QRM Methodology Document”)<sup>4</sup> to change the treatment of U.S. Treasury (“Treasury”) securities with remaining time-to-maturities equal to or less than a year (“Short-Term Treasuries”), and (iii) the Rules and the QRM Methodology Document to make certain technical changes, as described in greater detail below.

FICC is requesting confidential treatment of the QRM Methodology Document and has filed it separately with the Secretary of the Commission.<sup>5</sup>

II. Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the clearing agency included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The clearing agency has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

(A) Clearing Agency’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FICC is proposing to amend (i) the Rules in order to eliminate the EUIC, (ii) the QRM Methodology Document to change the treatment of Short-Term Treasuries, and (iii) the Rules and the QRM Methodology Document to make certain technical changes, as described in greater detail below.

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<sup>4</sup> The QRM Methodology Document was filed as a confidential exhibit in the rule filing and advance notice for GSD sensitivity VaR. See Securities Exchange Act Release Nos. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR-FICC-2018-001) and 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR-FICC-2018-801).

<sup>5</sup> See 17 CFR 240.24b-2.

(1) Eliminate the EUIC

In 2014, FICC received Commission approval to add the EUIC<sup>6</sup> as a component of the intraday GSD Required Fund Deposit. FICC established the EUIC to address two situations in the GCF Repo<sup>®</sup> Service<sup>7</sup> at the time, where the substitution of securities with cash (“Cash Substitution”) created a potential for under-margining.

The first Cash Substitution situation occurred in certain instances where, on an intraday basis, a GCF Repo participant substituted cash for the securities that were used as collateral for a GCF Repo position the prior day. The second Cash Substitution situation occurred when the GCF Clearing Agent Bank unwound the cash lending side of a GCF Repo Transaction that occurred on an inter-clearing bank basis<sup>8</sup> at approximately 7:30 a.m.<sup>9</sup> Both of these Cash Substitution situations had the potential to result in higher cash balances in the underlying collateral of GCF Repo positions at noon when FICC was calculating the intraday GSD Required Fund Deposit requirement. Because there is no VaR Charge associated with cash collateral, and because the GCF Repo participant is likely to replace the cash with

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<sup>6</sup> See Securities Exchange Act Release Nos. 73389 (October 17, 2014), 79 FR 63456 (October 23, 2014) (SR-FICC-2014-01) and 73388 (October 17, 2014), 79 FR 63458 (October 23, 2014) (SR-FICC-2014-801).

<sup>7</sup> The GCF Repo<sup>®</sup> Service enables dealers to trade general collateral repos, based on rate, term, and underlying product, throughout the day without requiring intraday, trade-for-trade settlement on a Deliver-versus-Payment (“DVP”) basis. The GCF Repo Service is governed primarily by Rule 20.

<sup>8</sup> At the time of the EUIC approval, the GCF Repo Service was operating on an inter-clearing bank basis, meaning that GCF Repo participants who cleared at different GCF Clearing Agent Banks could enter into GCF Repo Transactions. The GCF Repo Service now operates on an intra-clearing bank basis. See Securities Exchange Act Release No. 78206 (June 30, 2016), 81 FR 44388 (July 7, 2016) (SR-FICC-2016-002).

<sup>9</sup> All times herein are Eastern Time.

securities (which would be subject to the VaR Charge) by end of day, the potential for an under-margined condition at the noon calculation can occur. As stated above, the EUIC is meant to address this potential under-margined situation.

FICC believes that there is a more accurate approach than the EUIC that addresses the under-margined situation that can occur in certain instances with respect to the first Cash Substitution situation described above. Specifically, FICC can and does calculate and assess an Intraday Supplemental Fund Deposit amount, if necessary.<sup>10</sup> In 2018, FICC amended its calculation of the VaR Charge by, among other things, replacing its full revaluation approach with the sensitivity approach.<sup>11</sup> FICC also provided transparency with respect to FICC's existing authority to calculate and assess Intraday Supplemental Fund Deposit amounts in the 2018 Filing.<sup>12</sup> Because of these changes, FICC now believes that calculating and assessing an Intraday Supplemental Deposit amount, if necessary, rather than the EUIC is a more accurate approach to addressing the under-margined situation described above.

FICC receives hourly intraday GCF Repo lockup files<sup>13</sup> from 8:00 a.m. to 3:00 p.m. from The Bank of New York Mellon. These hourly intraday GCF Repo lockup files provide FICC with information with respect to the GCF Repo participants' positions throughout the day that FICC can use to calculate an intraday VaR Charge. As such, throughout the day, FICC can use the information in these files to assess the exposure that arises from collateral

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<sup>10</sup> See Securities Exchange Act Release Nos. 83362 (June 1, 2018), 83 FR 26514 (June 7, 2018) (SR-FICC-2018-001) and 83223 (May 11, 2018), 83 FR 23020 (May 17, 2018) (SR-FICC-2018-801) ("2018 Filing").

<sup>11</sup> Id.

<sup>12</sup> Id.

<sup>13</sup> Lockup files refers to the collateral that GCF Repo participants have allocated to satisfy their Collateral Allocation Obligations.

substitution (in addition to any other position changes) and can charge an Intraday Supplemental Fund Deposit amount to the GCF Repo participant, if necessary, to address this exposure. The current EUIC is only applied based on a Netting Member's 12:00 p.m. (noon) GCF Repo positions, as the lesser of (i) the net reduction in the VaR Charge attributable to either cash substitutions or (ii) the prior end of day VaR Charge minus the intraday VaR Charge. With the Intraday Supplemental Fund Deposit (which FICC is able to charge throughout the day) and the hourly information that it receives from The Bank of New York Mellon, FICC is able to more accurately address any potential under-margining from collateral substitutions that occur after 12:00 p.m. Because FICC mitigates any exposure that occurs from collateral substitutions throughout the day by charging the Intraday Supplemental Fund Deposit, FICC is proposing to eliminate the EUIC.

Regarding the second Cash Substitution situation described above, the EUIC is no longer applicable because the morning unwind of cash and securities has been eliminated. The morning unwind of cash and securities has been eliminated because the GCF Repo Service now operates on an intra-clearing bank basis. In 2016, interbank services were suspended.<sup>14</sup> As such, because there is no longer any potential for under-margining due to the unwind of the cash lending side of a GCF Repo Transaction that occurred on an inter-clearing bank basis at 7:30 a.m., FICC is proposing to eliminate the EUIC.

To effectuate this proposed change, FICC would revise Rule 1 to remove the defined term, Early Unwind Intraday Charge. In addition, FICC proposes to revise Section 1b of Rule 4 by deleting paragraph (iii), which references the EUIC. Section 1b describes the calculation of the Unadjusted GSD Margin Portfolio Amount.

(2) *Change the Treatment of Short-Term Treasuries*

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<sup>14</sup> See supra note 8.

The QRM Methodology Document describes the current GSD margin methodology with respect to Short-Term Treasuries. The current GSD margin methodology does not have any special treatment for Short-Term Treasuries. Short-Term Treasuries are margined as part of the entire portfolio using the sensitivity VaR Charge methodology, and a haircut-based methodology is used as a backup for Short-Term Treasuries where sensitivity analytics data<sup>15</sup> is not available. Specifically, Short-Term Treasuries that do not have sensitivity analytics data are subject to a single haircut rate calibrated to the volatility of the Bloomberg/Barclays Index of Treasury securities with remaining time-to-maturities equal to or less than a year. Currently, the one-month Treasury bills and the nine-month Treasury bills would be margined using the same haircut rate because, as described above, there is one haircut rate that is calibrated to the volatility of the Bloomberg/Barclays Index of Treasury securities with remaining time-to-maturities equal to or less than a year.

FICC has noted two model performance monitoring concerns with the approach in the current model used to calculate the VaR Charge when it is evaluated at a product level and could manifest in VaR Charge underperformance when the current VaR Charge model is applied to portfolios with a high concentration of Short-Term Treasuries. One concern with the current approach is related to the potentially large impact that market events, such as Federal Reserve policy announcements, supply/demand imbalances in Short-Term Treasuries, inflation shocks, and changes in short-term borrowing rates, can have on the yields of Short-Term Treasuries. The “short-end” of the Treasury yield curve is not usually volatile (i.e., there usually are not large day-to-day changes in short-term interest rates). However, these market events may have a large impact on the yields of Short-Term Treasuries. Using this

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<sup>15</sup> Sensitivity analytics data refers to data that FICC receives from its data vendor, such as the duration and convexity of Treasury securities.

current approach, the VaR Charge calculated for portfolios with a high concentration of Short-Term Treasuries may not adequately cover this above-described potentially large impact on the “short-end” of the Treasury yield curve.

Another concern with the current approach when it is applied to portfolios with a high concentration of Short-Term Treasuries is that it may not adequately address the volatility of certain portfolios of Short-Term Treasuries if the composition of those portfolios differs greatly from the composition of the Bloomberg/Barclays Index of Treasury securities described above. This is because the volatility of the yields may differ greatly between different types of Short-Term Treasuries. For example, the volatility of the yields of a three-month Treasury bill differs greatly from that of a one-year Treasury bill. Using one haircut based on the volatility of the Bloomberg/Barclays index may not adequately cover the risk of securities with longer duration maturities in the equal to or less than one-year bucket. The same yield change has a larger impact on those securities with longer remaining maturities. As such, the composition of the Bloomberg/Barclays Index of Treasury securities may not be comparable to the composition of certain portfolios of Short-Term Treasuries. Therefore, using a single haircut rate calibrated to the volatility of one index may not adequately address certain portfolios of Short-Term Treasuries that have a very different composition from the index.

The backtesting results of the current approach, as applied at a product level, for Short-Term Treasuries does not meet FICC’s 99 percent confidence level standard.

As described above, Short-Term Treasuries are margined as part of the entire portfolio using the sensitivity VaR Charge methodology, and a haircut-based methodology is used as a backup for Short-Term Treasuries where sensitivity analytics data is not available. Specifically, Short-Term Treasuries that do not have sensitivity analytics data are subject to a single haircut rate calibrated to the volatility of the Bloomberg/Barclay Index of Treasury

securities with remaining time-to-maturities equal to or less than a year. The current approach does not have a floor assigned to this single haircut rate. To mitigate the vulnerabilities described above with respect to the current approach, FICC is proposing to use the haircut methodology to margin all Short-Term Treasuries (not just for the Short-Term Treasuries without sensitivity analytics data, as is the current case). Furthermore, instead of one haircut bucket for Short-Term Treasuries, FICC would use two different haircut buckets depending on the time to maturity of the Short-Term Treasury security. FICC believes that using two different haircut buckets depending on the time to maturity of the Short-Term Treasury security would be more targeted and accurate. The first bucket is Treasury securities with remaining time to maturity equal to or less than six months with a haircut floor set at 12.5 basis points. The second bucket is Treasury securities with remaining time to maturity greater than six months but equal to or less than one year with a haircut floor set at 25 basis points. The haircut charges will be applied to the absolute value of the net market value of the Treasury securities in the respective buckets, with no correlation offset against all other Treasury maturity buckets.

FICC is proposing to use one haircut rate for the absolute value of the net market value of Treasury securities with remaining time to maturity equal to or less than six months (with a floor of 12.5 basis points), and another haircut rate for the absolute value of the net market value of Treasury securities with remaining time to maturity greater than six months but equal to or less than one year (with a floor of 25 basis points). With respect to the proposed change, the haircut charges will be applied to the absolute value of the net market value of the Treasury securities in the respective buckets, which is consistent with the current haircut methodology. However, in contrast to the current haircut methodology where correlation offsets are applied against other Treasury maturity buckets, the correlation offset will not be applied in the proposed approach for the two buckets for Short-Term Treasuries.

FICC believes that having these two haircut buckets with the floors would ensure coverage of the risk of at least 25 basis points in yield change for any Short-Term Treasuries that fall within these two buckets and help mitigate the potential exposure arising from market events such as Federal Reserve policy announcements, supply/demand imbalances in Short-Term Treasuries, inflation shocks, and changes in short-term borrowing rates. FICC also believes having the two haircut buckets with floors would help FICC achieve its backtesting standards, which is 99 percent coverage target with 3-days of margin period of risk. As described below, FICC performed an impact study for the period between January 2020 to December 2020, which indicated that if the proposed changes to the treatment of Short-Term Treasuries had been in place, the backtesting coverage ratio for portfolios of Short-Term Treasuries would have increased from approximately 94.9% to 99.4%.

To effectuate these changes, FICC proposes to revise the QRM Methodology Document to describe the proposed revised GSD margin methodology with respect to Short-Term Treasuries.

### *(3) Technical Changes*

FICC proposes to make technical changes to the Rules. Specifically, because paragraph (iii) in Section 1b of Rule 4 would be deleted, as described above, FICC is proposing to make conforming technical changes to renumber the subsequent paragraphs.

FICC is also proposing to make technical changes to the QRM Methodology Document. Specifically, FICC is proposing to make clarifying and grammatical changes to a sentence that describes the indices in a haircut used for short TIPS bonds.

### *Impact Study*

FICC performed an impact study on Members' portfolios for the period beginning January 2, 2020 to December 31, 2020 that showed that the proposed change to eliminate the EUIC would impact a small number of Members, and the total impact to the Clearing Fund

would be small. Over the study period, eliminating the EUIC would have affected, on average, nine Members per day, and the average daily margin decrease to GSD's Clearing Fund would have been approximately \$53.3 million per day (0.3% of the average daily Required Fund Deposit requirement of \$21.3 billion).

FICC performed an impact study on Members' portfolios for the period beginning January 2020 through December 2020. At the clearing corporation level, the impact study indicates that if the proposed changes to the treatment of Short-Term Treasuries had been in place, the backtesting coverage ratio for portfolios of Short-Term Treasuries would have increased from approximately 94.9% to 99.4%. Over the study period, the proposed changes to the treatment of Short-Term Treasuries would have affected 93 Members per day on average, and the mean daily margin increases of the VaR Charge for GSD would have been approximately \$160 million per day (0.8% of the average daily VaR Charge of \$19.5 billion).

#### Implementation Timeframe

Subject to approval by the Commission, FICC would implement the proposed rule change within 30 days following such approval, and the implementation date would be announced by an Important Notice posted to FICC's website.

#### 2. Statutory Basis

FICC believes that this proposal is consistent with the requirements of the Act, and the rules and regulations thereunder applicable to a registered clearing agency. Specifically, FICC believes the proposed changes to the Rules and the QRM Methodology Document described above are consistent with Section 17A(b)(3)(F) of the Act, for the reasons described below.<sup>16</sup>

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<sup>16</sup> 15 U.S.C. 78q-1(b)(3)(F).

Section 17A(b)(3)(F) of the Act requires, in part, that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible.<sup>17</sup>

The proposed change to eliminate the EUIC as described in Item II(A)1(1) above is designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>18</sup> The EUIC was established to reduce the risk of potential under-margining due to the two Cash Substitution situations described above. With the suspension of interbank services in 2016, the risk of potential under-margining due to the second Cash Substitution described above had been eliminated. While the potential for under-margining due to the first Cash Substitution situation described above still exists, FICC now addresses the exposure through the calculation and assessment of an Intraday Supplemental Fund Deposit amount, if necessary, as described above. FICC believes the Intraday Supplemental Fund Deposit is a more accurate way to margin the exposure presented, and therefore FICC believes that the proposed changes described in Item II(A)1(1) above would help better ensure that FICC calculates and collects adequate margin from Members and thereby assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>19</sup>

The proposed changes to the QRM Methodology Document, described in Item II(A)1(2) above to revise the current GSD margin methodology with respect to Short-Term Treasuries, are designed to assure the safeguarding of securities and funds which are in the

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<sup>17</sup> Id.

<sup>18</sup> Id.

<sup>19</sup> Id.

custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>20</sup> FICC believes the proposed changes to the current GSD margin methodology with respect to Short-Term Treasuries would help mitigate the vulnerabilities of the current approach when they are applied to portfolios with a high concentration of Short-Term Treasuries. As such, FICC believes that the proposed changes described in Item II(A)1(2) above would help better ensure that FICC calculates and collects adequate margin from Members and thereby assure the safeguarding of securities and funds which are in the custody and control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>21</sup>

FICC believes that the proposed technical changes to the QRM Methodology Document described in Item II(A)1(3) above would enhance the clarity of the document for FICC. As the QRM Methodology Document is used by FICC's risk management personnel ("Risk Management") regarding the calculation of margin requirements, it is important for the accurate and smooth functioning of the margining process that Risk Management has a clear description of the calculation of the GSD margin methodology. The proposed changes would promote such understanding by enhancing the clarity of the description. As such, FICC believes that enhancing the clarity of the QRM Methodology Document would assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>22</sup>

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<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

Rule 17Ad-22(e)(4)(i) under the Act<sup>23</sup> requires a covered clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes by maintaining sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. FICC believes that the proposed changes in Items II(A)1(1) and II(A)1(2) above are consistent with the requirements of Rule 17Ad-22(e)(4)(i) under the Act.<sup>24</sup>

FICC believes the proposed changes described in Item II(A)1(1) above to eliminate the EUIC are consistent with the requirements of Rule 17Ad-22(e)(4)(i) under the Act.<sup>25</sup> This is because FICC believes assessing and charging an Intraday Supplemental Fund Deposit amount, if necessary, is a better and more accurate way to address the potential under-margining due to the first Cash Substitution situation described above than charging the EUIC. The EUIC is charged once a day at 12 p.m., while FICC may charge an Intraday Supplemental Fund Deposit amount, if necessary, throughout the day, based on the hourly information that FICC receives regarding GCF Repo participants' positions. As such, because FICC can continuously assess its exposure and charge additional margin throughout the day with the Intraday Supplemental Fund Deposit rather than at one point in time, the proposed changes described in Item II(A)1(1) would help FICC better measure and monitor its credit exposures to participants. Therefore, FICC believes that the proposed changes

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<sup>23</sup> 17 CFR 240.17Ad-22(e)(4)(i).

<sup>24</sup> Id.

<sup>25</sup> Id.

described in Item II(A)1(1) above are consistent with the requirements of Rule 17Ad-22(e)(4)(i) under the Act.<sup>26</sup>

The proposed changes described in Item II(A)1(2) above would allow FICC to use the haircut methodology to margin all Short-Term Treasuries (not just for the Short-Term Treasuries without sensitivity analytics data, as is the current case). As described above, FICC would have two haircuts depending on the time to maturity of the Short-Term Treasuries. This proposed approach would address the two vulnerabilities with the current approach when it is applied to portfolios with a high concentration of Short-Term Treasuries as described above and thereby better enable FICC to limit its credit exposures to Members. Therefore, FICC believes the proposed changes described in Item II(A)1(2) above are consistent with the requirements of Rule 17Ad-22(e)(4)(i) under the Act.<sup>27</sup>

Rule 17Ad-22(e)(6)(i) under the Act<sup>28</sup> requires a covered clearing agency to establish, implement, maintain and enforce written policies and procedures reasonably designed to cover, if the covered clearing agency provides central counterparty services, its credit exposures to its participants by establishing a risk-based margin system that, at a minimum, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market. FICC believes that the proposed changes in Items II(A)1(1) and II(A)1(2) above are consistent with the requirements of Rule 17Ad-22(e)(6)(i) under the Act.<sup>29</sup>

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<sup>26</sup> Id.

<sup>27</sup> Id.

<sup>28</sup> 17 CFR 240.17Ad-22(e)(6)(i).

<sup>29</sup> Id.

Specifically, FICC believes that the proposed changes described in Item II(A)1(1) above to eliminate the EUIC and rely instead on the assessment of an Intraday Supplemental Fund Deposit amount, if necessary, are reasonably designed to cover FICC's credit exposures to its participants because they would better enable FICC to consider and produce margin levels commensurate with the risk and particular attributes of a GCF Repo participant's portfolio. This is because the Intraday Supplemental Fund Deposit amount could be charged throughout the day and would be based on hourly information about such GCF Repo participant's portfolio that FICC receives from The Bank of New York Mellon (unlike the EUIC, which is charged at 12 p.m.). Therefore, FICC believes the proposed changes would allow FICC to continue to produce margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market and are consistent with the requirements of Rule 17Ad-22(e)(6)(i) under the Act.<sup>30</sup>

FICC believes the proposed changes described in Item II(A)1(2) above to allow FICC to use the haircut methodology to margin all Short-Term Treasuries are consistent with the requirements of Rule 17Ad-22(e)(6)(i) cited above. FICC believes these proposed changes are reasonably designed to cover FICC's credit exposures to its participants, especially those participants who have a high concentration of Short-Term Treasuries in their portfolios because, as described above, this proposed approach would address two vulnerabilities associated with the current approach when it is applied to portfolios with a high concentration of Short-Term Treasuries. Therefore, FICC believes the proposed changes would better ensure that FICC produces margin levels commensurate with the risk and particular attributes

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Id.

of each relevant product, portfolio, and market, and are consistent with the requirements of Rule 17Ad-22(e)(6)(i) under the Act.<sup>31</sup>

(B) Clearing Agency's Statement on Burden on Competition

FICC believes that the proposed changes described in Item II(A)1(1) above would not have an impact on competition. This is because Members are currently being assessed an Intraday Supplemental Fund Deposit regardless of the EUIC. The assessment of the Intraday Supplemental Fund Deposit is independent of the EUIC. As such, FICC believes the proposed change to eliminate the EUIC would result in a margin reduction; FICC believes the amount of the margin reduction would be nominal.

FICC believes that the proposed changes described in Item II(A)1(2) above may have an impact on competition because these changes could result in certain Members being assessed a higher margin than they would have been assessed with the current GSD margin methodology for Short-Term Treasuries. Specifically, Members that have a high concentration of directional Short-Term Treasuries in their portfolios would be assessed a higher margin than they would have been assessed with the current GSD margin methodology for Short-Term Treasuries. FICC believes the proposed change could burden competition by potentially increasing these Members' operating costs. Regardless of whether such burden on competition could be deemed significant, FICC believes that any related burden on competition would be necessary and appropriate, as permitted by Section 17A(b)(3)(I) of the Act, for the reasons described below.<sup>32</sup>

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<sup>31</sup> Id.

<sup>32</sup> 15 U.S.C. 78q-1(b)(3)(I).

FICC believes any burden on competition that may be created would be necessary in furtherance of the purposes of the Act<sup>33</sup> because the proposed changes would mitigate vulnerabilities that have been identified with respect to the current GSD margin methodology for Short-Term Treasuries. In addition, FICC believes that with these proposed changes, the margining would better reflect the risk presented by the Members' specific portfolios. FICC believes any burden on competition that may be created would be appropriate in furtherance of the purposes of the Act<sup>34</sup> because they have been designed to assure the safeguarding of securities and funds which are in the custody or control of FICC or for which it is responsible, consistent with Section 17A(b)(3)(F) of the Act.<sup>35</sup> As described above, these proposed changes would help ensure that FICC calculates and collects adequate margin from Members, and all Short-Term Treasuries would continue to be subject to the GSD margin methodology.

FICC does not believe that the proposed changes described in Item II(A)1(3) above to make technical changes to the Rules would have any impact on competition because these proposed changes would better ensure that the Rules remain clear and accurate, and would facilitate Members' understanding of the Rules and their obligations thereunder. Having transparent, accessible, clear, and accurate provisions in the Rules would improve the readability and clarity of the Rules regarding fees that Members would incur by participating in GSD. These proposed changes would apply equally to all Members and would not affect Members' rights and obligations.

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<sup>33</sup> Id.

<sup>34</sup> Id.

<sup>35</sup> 15 U.S.C. 78q-1(b)(3)(F).

In addition, FICC does not believe that the proposed changes described in Item II(A)1(3) above to make technical changes to the QRM Methodology Document would have any impact on competition because these proposed changes would enhance the clarity and accuracy of the QRM Methodology Document and would not affect the substantive rights of Members.

(C) Clearing Agency's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

FICC has not received or solicited any written comments relating to this proposal. If any written comments are received, they will be publicly filed as an Exhibit 2 to this filing, as required by Form 19b-4 and the General Instructions thereto. Persons submitting comments are cautioned that, according to Section IV (Solicitation of Comments) of the Exhibit 1A in the General Instructions to Form 19b-4, the Commission does not edit personal identifying information from comment submissions. Commenters should submit only information that they wish to make available publicly, including their name, email address, and any other identifying information.

All prospective commenters should follow the Commission's instructions on how to submit comments, available at <https://www.sec.gov/regulatory-actions/how-to-submit-comments>. General questions regarding the rule filing process or logistical questions regarding this filing should be directed to the Main Office of the Commission's Division of Trading and Markets at [tradingandmarkets@sec.gov](mailto:tradingandmarkets@sec.gov) or 202-551-5777. FICC reserves the right to not respond to any comments received.

III. Date of Effectiveness of the Proposed Rule Change, and Timing for Commission Action

Within 45 days of the date of publication of this notice in the *Federal Register* or within such longer period up to 90 days (i) as the Commission may designate if it finds such

longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should

be disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act.

Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form  
(<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FICC-2021-007 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-FICC-2021-007. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C.

552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of FICC and on DTCC's website (<http://dtcc.com/legal/sec-rule-filings.aspx>). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FICC-2021-007 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

**Jill M. Peterson,**  
*Assistant Secretary.*

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<sup>36</sup> 17 CFR 200.30-3(a)(12).